

**MARQUETTE-ALGER REGIONAL
EDUCATIONAL SERVICE AGENCY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Board of Education
Marquette-Alger Regional Educational Service Agency
321 E. Ohio Street
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette-Alger Regional Education Service Agency, (Agency), as of, and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette-Alger Regional Educational Service Agency, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the budgetary comparison information on pages 5 thru 12, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2005, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Education
Marquette-Alger Regional Educational Service Agency

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 14, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

Year Ended June 30, 2005

Marquette-Alger Regional Educational Service Agency ("MARESA" or "Agency") is an intermediate school district located in Marquette County, Michigan. MARESA is in its third year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be MARESA's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) through GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The two required district-wide financial statements are the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets includes all of the Agency's assets and liabilities. The Statement of Activities includes all of the current year's revenues and expenses that are accounted for regardless of when cash is received or paid.

Net Assets, the difference between the Agency's assets and liabilities, are one way to measure a district's financial health or position.

- Over time, increases or decreases in a district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, one needs to consider additional non-financial factors such as changes in the district's property tax base and the condition of school buildings and other facilities.

In district-wide financial statements, the Statement of Activities is divided into two categories:

- Governmental activities: All of the Agency's basic services are included here, such as general and special education and administration. Property taxes and state funding finance most of these activities; and
- Business-type activities: The Agency does not have any activities reported as business-type activities.

Fund Financial Statements

Fund Financial Statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources.

The Fund Financial Statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the following fund types and related activities are defined as followed:

Governmental Fund Types

General Fund: The General Fund is the general operating fund and, accordingly, it is used to account for resources devoted to financing the general services of the Agency except those accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the activities of specific revenue sources such as special education.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for major capital expenditures, including equipment, not financed by proprietary funds.

Debt Service Fund: The Debt Service Fund is used to accumulate resources for payment of interest and principal on long-term bonds payable.

Proprietary Fund Types

Internal Service Funds: Internal Service Funds are used to account for the financing of services provided by one department to another department within the governmental entity. The Agency's Internal Service Funds pay for various Agency unemployment claims and terminal leave benefits through user charges.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Summary of Net Assets (District-Wide Financial Statement)

The condensed Statement of Net Assets as of June 30, 2005 and June 30, 2004, is as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current Assets	\$ 6,126,926	\$ 6,002,320
Capital Assets	3,009,742	3,087,060
Other Assets	<u>0</u>	<u>50,000</u>
Total Assets	9,136,668	9,139,380
Current Liabilities	2,930,536	3,024,323
Non-current Liabilities	<u>2,105,147</u>	<u>2,177,744</u>
Total Liabilities	5,035,683	5,202,067
Investment in Capital Assets, Net of Related Debt	1,205,555	1,239,297
Unrestricted	<u>2,895,430</u>	<u>2,698,016</u>
Total Net Assets	<u><u>\$ 4,100,985</u></u>	<u><u>\$ 3,937,313</u></u>

Statement of Activities (District-Wide Financial Statement)

The condensed Statement of Activities for the fiscal year ended June 30, 2005 and June 30, 2004, is as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Charges for Services	\$ 205,239	\$ 171,964
Operating Grants	8,754,774	7,087,311
Property Taxes	3,583,334	3,479,545
State Aid	708,742	863,755
Other	<u>219,784</u>	<u>195,743</u>
Total Revenues	13,471,873	11,798,318
Instruction	865,340	847,311
Supporting Services	6,153,850	5,110,984
Community Services	460,691	343,221
Other	<u>5,828,320</u>	<u>5,280,815</u>
Total Expenses	<u>13,308,201</u>	<u>11,582,331</u>
Change in Net Assets	163,672	215,987

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Net Assets at Beginning of Year (as previously reported)	3,937,313	2,959,956
Restatement – See Note K	<u>0</u>	<u>761,370</u>
Net Assets at beginning of year (as restated)	3,937,313	3,721,326
Change in Net Assets	<u>163,672</u>	<u>215,987</u>
Net Assets at End of Year	<u>\$ 4,100,985</u>	<u>\$ 3,937,313</u>

During the fiscal year ended June 30, 2005, the Agency's net assets increased \$163,672 or 4.1%.

Fund Balances (Fund Financial Statements)

The table below details the Agency's governmental fund balances

	<u>June 30 2005</u>	<u>June 30 2004</u>	<u>Increase (Decrease)</u>
General Fund	\$ 1,631,527	\$ 1,608,692	\$ 22,835
Special Education Fund	993,209	803,723	189,486
Capital Projects Fund	315,176	259,347	55,828
Other Governmental Funds (Debt Service)	<u>154</u>	<u>446</u>	<u>(292)</u>
	<u>\$ 2,940,066</u>	<u>\$ 2,672,208</u>	<u>\$ 267,857</u>

The General Fund increased \$22,835 due to cost control measures.

The Special Education Fund increased by \$189,486 mainly due to the award of the State Improvement Grant, which caused a significant increase in expenditures, and per standing policy, to distribute all but 10% (equal to 10% of current year expenditures) of fund equity to local school districts.

The Capital Project Fund increased \$55,828 due to interest earned on investments and transfer of funds from the General Fund.

Proprietary Funds of the Agency are detailed below:

	<u>June 30 2005</u>	<u>July 30 2004</u>	<u>Increase (Decrease)</u>
Retirement Fund	\$ 50,217	\$ 56,401	\$ (6,184)
Unemployment Fund	<u>261,450</u>	<u>257,069</u>	<u>4,381</u>
	<u>\$ 311,667</u>	<u>\$ 313,470</u>	<u>\$ (1,803)</u>

The Retirement Fund decreased \$6,184 due to payouts related to retirements.

The Unemployment Fund increased \$4,381 due to transfers from the General Fund.

MARESA also oversees an agency fund that had \$7,491 of assets and liabilities as of June 30, 2005.

Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The Agency levied .2145 mills of property taxes for General Fund operations and 1.8270 mills for Special Education operations on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable value increase for property is capped at the rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which approximates, 50 percent of the market value.

The Agency's tax revenue for the 2004-2005 fiscal year was \$3,633,286.

Budget and Actual Revenues and Expenditures (Required Supplementary Information)

Expenditures -- Budget vs. Actual for the year ended June 30, 2005

General Fund:

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
Non-Grants	\$ 1,857,660	\$ 1,859,035	\$ 1,772,761	\$ (84,899)	\$ (86,274)
Grants	-	1,838,168	1,323,222	1,323,222	(514,946)
Total	<u>\$ 1,857,660</u>	<u>\$ 3,697,203</u>	<u>\$ 3,095,983</u>	<u>\$ 1,238,323</u>	<u>\$ (601,220)</u>

Special Education Fund:

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
Non- Grants	\$ 1,165,325	\$ 1,129,868	\$ 1,002,730	\$ (162,595)	\$ (127,138)
Grants	-	4,435,914	3,416,544	3,416,544	(1,019,370)
Total	<u>\$ 1,165,325</u>	<u>\$ 5,565,782</u>	<u>\$ 4,419,274</u>	<u>\$ 3,253,949</u>	<u>\$ (1,146,508)</u>

Revenue -- Budget vs. Actual

General Fund:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
Non- Grants	\$ 1,501,607	\$ 1,561,774	\$ 1,526,680	\$ 25,073	\$ (35,094)
Grants	-	2,621,423	1,818,992	1,818,992	(802,431)
Total	<u>\$ 1,501,607</u>	<u>\$ 4,183,197</u>	<u>\$ 3,345,672</u>	<u>\$ 1,844,065</u>	<u>\$ (837,525)</u>

Special Education Fund:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
Non- Grants	\$ 4,391,729	\$ 4,763,378	\$ 4,740,826	\$ 349,097	\$ (22,552)
Grants	-	6,462,625	5,379,539	6,462,625	(1,083,086)
Total	<u>\$ 4,391,729</u>	<u>\$ 11,226,003</u>	<u>\$ 10,120,365</u>	<u>\$ 6,811,722</u>	<u>\$ (1,105,638)</u>

Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, MARESA amends its budget twice during the fiscal year. For fiscal year June 30, 2005, the budget was amended in February and June 2005. The June 2005 budget amendment was the final budget for the fiscal year.

REVENUES :

Revenues changed from Original to Final Budget as follows:

General Fund:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 1,501,607	\$ 1,561,774	\$ 60,167	3.9%
Grants		2,621,423	2,621,423	N/A
Total	\$ 1,501,607	\$ 4,183,197	\$ 2,681,590	64.1%

Special Education Fund:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 4,391,729	\$ 4,763,378	\$ 371,649	7.8%
Grants		6,462,625	6,462,625	N/A
Total	\$ 4,391,729	\$ 11,226,003	\$ 6,834,274	60.9%

Including Grants:

Including grants, the Agency's final budgeted revenues differed from the original budget as follows:

- General Fund by \$2,681,590, a variance of 64.1%.
- Special Education Fund by \$6,834,274 or 60.9% greater than the original budget.

The significant increase in revenue for both funds can be attributed mainly to Grants. Grants are recognized on MARESA financial statements once MARESA receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets for both the General Fund and the Special Education Fund include grant revenues that will be utilized in the next fiscal year. The Agency budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

Excluding Grants:

Excluding grants, the Agency's final budgeted revenue in the:

- General Fund was \$1,561,774, which was \$60,167 or 3.9% more than the original budget.
- Special Education Fund was \$4,763,378, which was \$371,649 or 7.8% more than the original budget.

EXPENDITURES

The Agency's budget for expenditures changed during the year as follows:

General Fund:

Description	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 1,857,660	\$ 1,859,035	\$ 1,375	.01%
Grants	-	1,838,168	1,838,168	N/A
Total	\$ 1,857,660	\$ 3,697,203	\$ 1,839,543	49.8%

Special Education Fund:

Description	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 1,165,325	\$ 1,129,868	\$ (35,457)	(3.1%)
Grants	-	4,435,914	4,435,914	N/A
Total	\$ 1,165,325	\$ 5,565,782	\$ 4,400,457	79.1%

Including Grants:

As indicated above, the Agency's final budgeted expenditures in the:

- General Fund was \$3,697,203 or 49.8% greater than the original budget.
- Special Education Fund were \$5,565,782 or 79.1% greater than the original budget.

The significant increase in expenditures for both funds can also be attributed mainly to Grants. Grants are recognized on MARESA financial statements once MARESA receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets for both the General Fund and the Special Education Fund include related grant expenditures that will be utilized in the next fiscal year. The Agency budgeted the entire grant awarded by the grantors, even if the grants were to be expended in multiple fiscal years. The grant awards not expended by June 30, 2005, and eligible for carryover in the next fiscal year.

Excluding Grants:

Excluding grants, the Agency's final budget expenditures in the:

- General Fund was \$1,375 or .01% more than the original budget.
- Special Education Fund was \$35,457 or 3.1% less than the original budget.

REVENUES -- Actual prior year vs. Actual current year for the year ended June 30, 2005

General Fund:

Description	June 30 2005	June 30 2004	Variance	
			Amount	Percent
Non-Grants	\$ 1,526,680	\$ 1,586,472	\$ (59,792)	(3.91%)
Grants	1,818,992	2,029,756	(210,764)	(11.58%)
Total	\$ 3,345,672	\$ 3,616,228	\$ (270,556)	(8.08%)

Special Education Fund:

Description	June 30 2005	June 30 2004	Variance	
			Amount	Percent
Non-Grants	\$ 4,740,826	\$ 4,500,542	\$ 240,284	5.33%
Grants	5,379,539	3,679,341	1,700,198	46.20%
Total	\$ 10,120,365	\$ 8,179,883	\$ 1,940,482	23.72%

Including Grants:

Including grants, the Agency's current year's final actual revenues differed from the prior year's actual revenues as follows:

- General Fund by \$270,556, a variance of 8.08% less than last year's actual revenues.
- Special Education Fund by \$1,940,482 or 23.72% greater than last year's actual revenues.

The decrease in revenue for the General Fund can be attributed mainly to Grants and State Aid. Section 81 State Aid was reduced by \$111,130. The significant increase in revenue for the Special Education fund can be attributed mainly to Grants. Other contributing factors to the Special Education revenue increase were Property Taxes and State Aid.

Excluding Grants:

Excluding grants, the Agency's current year's final actual revenues differed from the prior year's actual revenues as follows:

- General Fund was \$1,526,680, which was \$59,792 or 3.91% less than last year's actual revenues.
- Special Education Fund was \$4,740,826, which was \$240,284 or 5.33% more than last year's actual revenues.

EXPENDITURES

The Agency's actual expenditures changed from last year as follows:

General Fund:

Description	June 30 2005	June 30 2004	Variance	
			Amount	Percent
Non-Grants	\$ 1,772,761	\$ 1,701,389	\$ 71,372	4.19%
Grants	<u>1,323,222</u>	<u>1,456,205</u>	<u>(132,983)</u>	<u>(10.04%)</u>
Total	<u>\$ 3,095,983</u>	<u>\$ 3,157,594</u>	<u>\$ (61,611)</u>	<u>(1.99%)</u>

Special Education Fund:

Description	June 30 2005	June 30 2004	Variance	
			Amount	Percent
Non-Grants	\$ 1,002,730	\$ 994,122	\$ 8,608	.86%
Grants	<u>3,416,54</u>	<u>2,106,330</u>	<u>1,310,214</u>	<u>62.20%</u>
Total	<u>\$ 4,419,274</u>	<u>\$ 3,100,452</u>	<u>\$ 1,318,822</u>	<u>42.53%</u>

Including Grants:

As indicated above, the Agency's current year's actual expenditures differed from the prior year's actual expenditures as follows:

- General Fund was \$61,611 or 1.99% less than last year's actual expenditures.
- Special Education Fund was \$1,318,822 or 42.53% greater than last year's actual expenditures.

The significant decrease in expenditures for the General Fund and significant increase in expenditures for the Special Education fund can be attributed mainly to Grants.

Excluding Grants:

Excluding grants, the Agency's final actual expenditures in the:

- General Fund was \$71,372 or 4.19% greater than last year's actual expenditures.
- Special Education Fund was \$8,608 or .86% more than last year's actual expenditures.

Long-Term Debt

The Agency's long-term debt decreased \$24,936 from \$2,221,321 to \$2,196,385 as detailed in the Notes to Financial Statements, Note F--Long-Term Debt.

Net Investment in Capital Assets

MARESA's net investment in capital decreased by \$67,382 to \$3,009,742 mainly as a result of depreciation. A detail of the net investment in capital assets is presented in the Notes to Financial Statements, Note C--Capital Assets.

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital Assets	\$ 3,281,535	\$ 8,466	\$ 7,820	\$ 3,282,181
Less: Accumulated Depreciation	(194,475)	(80,816)	(2,852)	(272,439)
Net Investment Capital Assets	<u>\$ 3,087,060</u>	<u>\$ (72,350)</u>	<u>\$ 4,968</u>	<u>\$ 3,009,742</u>

Currently Known Facts That May Have a Significant Impact on the Agency's Future

Currently there are no approved, planned, or unreported capital projects, commercial development; residential development; litigation; or approved debt that will have a material impact on Agency operations.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Agency's finances. If you have questions about this report or need additional information, contact the Business and Finance Office, of MARESA at:

321 E. Ohio Street
Marquette, MI 49855
(906) 226-5106

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 3,967,095
Investments	7,520
Receivables:	
Accounts receivable	85,798
Due from other governmental units	1,995,356
Notes receivable	50,000
Other current assets	<u>21,157</u>
TOTAL CURRENT ASSETS	<u>6,126,926</u>
Noncurrent assets:	
Capital assets	3,282,181
Less accumulated depreciation	<u>(272,439)</u>
TOTAL NONCURRENT ASSETS	<u>3,009,742</u>
TOTAL ASSETS	<u>9,136,668</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	1,422,129
Accrued payroll and other liabilities	237,089
Due to other governmental units	1,028,931
Deferred revenue	122,276
Accrued interest	14,105
Current portion of long term debt obligations	91,238
Other current liabilities	<u>14,768</u>
TOTAL CURRENT LIABILITIES	<u>2,930,536</u>
Noncurrent liabilities:	
Compensated absences	94,696
Bonds payable	2,097,502
Capital lease obligation	4,187
Current portion of long term obligations	<u>(91,238)</u>
TOTAL NONCURRENT LIABILITIES	<u>2,105,147</u>
TOTAL LIABILITIES	<u>5,035,683</u>
NET ASSETS:	
Invested in capital assets net of related debt	1,205,555
Unrestricted	<u>2,895,430</u>
TOTAL NET ASSETS	<u>\$ 4,100,985</u>

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Statement of Activities
For the Year Ended June 30, 2005

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 865,340	\$ 27,300	\$ 498,972	\$ (339,068)
Support services	6,153,850	176,773	5,076,060	(901,017)
Community services	460,691	1,166	364,359	(95,166)
Transfers to local districts	5,609,339	-	2,815,383	(2,793,956)
Capital outlay	49,245	-	-	(49,245)
Interest on retirement of debt	88,920	-	-	(88,920)
Depreciation- unallocated	80,816	-	-	(80,816)
TOTAL GOVERNMENTAL ACTIVITIES	13,308,201	205,239	8,754,774	(4,348,188)
General revenues:				
Taxes				
Property taxes, levied for general purposes				348,017
Property taxes, levied for special education				2,976,965
Specific ore taxes, levied for general purposes				27,067
Specific ore taxes, levied for special education				231,285
Other taxes				49,953
State aid not restricted to specific purposes				708,742
Grants and contributions not restricted to specific programs				3,401
Interest and investment earnings				78,312
Miscellaneous				88,118
TOTAL GENERAL REVENUES AND TRANSFERS				4,511,860
			CHANGES IN NET ASSETS	163,672
Net Assets , July 1				3,937,313
			NET ASSETS, JUNE 30	\$ 4,100,985

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Governmental Funds
Balance Sheet
June 30, 2005

	General Fund	Special Education Fund	Capital Projects Fund	Other Nonmajor Governmental Funds Debt Service Fund	Total
ASSETS:					
Cash and cash equivalents	\$ 1,231,827	\$ 2,030,221	\$ 313,759	\$ 154	\$ 3,575,961
Investments	-	1,570	1,417	-	2,987
Receivables:					
Accounts receivable	51,763	34,035	-	-	85,798
Due from other governmental units	784,465	1,210,891	-	-	1,995,356
Due from other funds	-	108,208	-	-	108,208
Other current assets	21,157	-	-	-	21,157
TOTAL ASSETS	\$ 2,089,212	\$ 3,384,925	\$ 315,176	\$ 154	\$ 5,789,467
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 184,769	\$ 1,237,360	\$ -	\$ -	\$ 1,422,129
Accrued liabilities	39,176	113,913	-	-	153,089
Due to other government units	-	1,028,931	-	-	1,028,931
Due to other funds	108,208	-	-	-	108,208
Deferred revenue	110,764	11,512	-	-	122,276
Other liabilities	14,768	-	-	-	14,768
TOTAL LIABILITIES	457,685	2,391,716	-	-	2,849,401
FUND BALANCES:					
Unreserved, reported in:					
General Fund	1,631,527	-	-	-	1,631,527
Special Education Fund	-	993,209	-	-	993,209
Capital Projects Fund	-	-	315,176	-	315,176
Debt Service Fund	-	-	-	154	154
TOTAL FUND BALANCES	1,631,527	993,209	315,176	154	2,940,066
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,089,212	\$ 3,384,925	\$ 315,176	\$ 154	\$ 5,789,467

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

Total Fund Balances for Governmental Funds **\$ 2,940,066**

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	3,282,181	
Accumulated depreciation	<u>(272,439)</u>	
		3,009,742

Internal service funds are used by the Agency to charge individual funds the
cost of retirement and unemployment benefits. The assets and liabilities of the
internal service funds are included in the governmental activities in the
statement of net assets.

311,667

Land contract was used by the Agency to finance the sale of the old
administration building. The remaining amount due is recognized as a
note receivable.

50,000

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Compensated absences	94,696	
Bonds payable	2,097,502	
Capital lease obligation	4,187	
Accrued interest	<u>14,105</u>	
		<u>(2,210,490)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,100,985</u>
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MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005

	General Fund	Special Education Fund	Capital Projects Fund	Other Nonmajor Governmental Funds Debt Service Funds	Total
REVENUES:					
Property taxes	\$ 379,897	\$ 3,253,389	\$ -	\$ -	\$ 3,633,286
Other local sources	555,356	665,952	-	8	1,221,316
State sources	958,382	690,690	-	-	1,649,072
Federal sources	1,186,150	5,423,608	-	-	6,609,758
Interest	29,285	43,191	5,828	-	78,304
Other	236,602	43,535	-	-	280,137
TOTAL REVENUES	3,345,672	10,120,365	5,828	8	13,471,873
EXPENDITURES:					
Current:					
Instruction	120,733	724,164	-	-	844,897
Support services:					
Pupil services	254,415	1,246,194	-	-	1,500,609
Instructional staff services	1,282,161	459,030	-	-	1,741,191
General administration services	215,167	14,850	-	500	230,517
Business administration services	328,772	8,255	-	-	337,027
Operations and maintenance	155,789	3,878	-	-	159,667
Pupil transportation	68	1,431	-	-	1,499
Central services	318,548	1,868,354	-	-	2,186,902
Other support services	-	-	-	-	-
Community services	404,237	56,468	-	-	460,705
Debt Service:					
Principal	-	-	-	40,000	40,000
Interest	-	-	-	88,920	88,920
Capital outlay	16,093	36,650	-	-	52,743
TOTAL EXPENDITURES	3,095,983	4,419,274	-	129,420	7,644,677
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	249,689	5,701,091	5,828	(129,412)	5,827,196
OTHER FINANCING SOURCES (USES):					
Transfers in	379,718	-	50,000	129,120	558,838
Transfers out	(129,120)	(379,718)	(50,000)	-	(558,838)
Transfers to local districts	(477,452)	(5,131,887)	-	-	(5,609,339)
TOTAL OTHER FINANCING SOURCES (USES)	(226,854)	(5,511,605)	-	129,120	(5,609,339)
SPECIAL ITEM:					
Payment on land contract	-	-	50,000	-	50,000
NET CHANGE IN FUND BALANCES	22,835	189,486	55,828	(292)	267,857
Fund Balance, July 1	1,608,692	803,723	259,348	446	2,672,209
FUND BALANCE, JUNE 30	\$ 1,631,527	\$ 993,209	\$ 315,176	\$ 154	\$ 2,940,066

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	267,857
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	80,816	
Capital outlays net of retirements	<u>(7,074)</u>	(73,742)

Payment received on a land contract is revenue in governmental funds when received, but reduces the note receivable in the Statement of Net Assets.

(50,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

40,000

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities.

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In the Statement of Activities, certain operating expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This is the amount paid leave exceeded the amount earned.

(1,803)

Internal service funds are used by the Agency to charge individual funds the cost of retirement and unemployment benefits. The net expense of the funds is reported with governmental activities.

(18,640)

Change in Net Assets of Governmental Activities	\$	<u>163,672</u>
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MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Proprietary Funds
Statement of Net Assets
June 30, 2005

	Governmental Activities:	Internal Service Funds
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 391,134	
Investments	<u> 4,533</u>	
TOTAL ASSETS		<u>395,667</u>
LIABILITIES:		
Current liabilities:		
Accrued liabilities		<u>84,000</u>
TOTAL LIABILITIES		<u>84,000</u>
Net Assets		
Unrestricted		<u>311,667</u>
TOTAL NET ASSETS	<u>\$ 311,667</u>	

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2005

	Governmental Activities:
	Internal Service Funds
OPERATING REVENUES:	
Other	\$ -
TOTAL OPERATING REVENUES	<u>-</u>
OPERATING EXPENSES:	
Retirement benefits	28,196
Unemployment	1,040
Payroll taxes	551
TOTAL OPERATING EXPENSES	<u>29,787</u>
OPERATING INCOME (LOSS)	<u>(29,787)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	7,935
Transfers in (out)	20,049
TOTAL NON-OPERATING REVENUES	<u>27,984</u>
CHANGE IN NET ASSETS	(1,803)
Net Assets, July 1	<u>313,470</u>
NET ASSETS, JUNE 30	<u><u>\$ 311,667</u></u>

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2005

	<u>Governmental Activities Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from other operating revenues	\$ -
Cash payments to employees for services	<u>(21,287)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(21,287)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in (out)	<u>20,049</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>20,049</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	7,935
(Purchase) sale of investments	<u>(84)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>7,851</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>6,613</u>
Cash and cash equivalents, July 1	<u>384,521</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>391,134</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (29,787)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in accrued liabilities	<u>8,500</u>
TOTAL ADJUSTMENTS	<u>8,500</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (21,287)</u></u>

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2005

	<u>Agency Fund</u>
ASSETS:	
Cash and equivalents	\$ 7,491
Other	<u>-</u>
TOTAL ASSETS	<u><u>\$ 7,491</u></u>
LIABILITIES:	
Due to groups, organizations and activities	\$ 7,491
Other	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 7,491</u></u>

See Notes to Financial Statements.

MARQUETTE-ALGER REGIONAL EDUCATION SERVICE AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Marquette-Alger Regional Education Service Agency (Agency) is an intermediate school district as defined by Michigan law that operates under a locally appointed seven-member Board form of government that provides educational and supportive services to the students of the thirteen local educational agencies and chartered schools within the counties of Marquette and Alger in the State of Michigan. The Agency also acts as a fiscal intermediary as mandated by various grantor agencies as defined in grant agreements.

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local units of government through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Agency are discussed below:

Reporting Entity

In evaluating how to define the Agency for financial reporting purposes, management has considered the criteria included in GASB Statement No. 14 to determine if any legally separate entities are component units. Based upon the application of these criteria, the financial statements of the Agency contain all of the funds controlled by the Agency's Board of Education, as no other entity meets the criteria to be considered a component unit of the Agency nor is the Agency a component unit of another entity.

Basic Financial Statements – Government-Wide Statements

The Agency's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Agency's instruction, support, and community services are classified as governmental activities. The Agency does not have any business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net assets are reported as investment in capital assets, net of related debt, and unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the Agency's functions. General government revenues (property taxes, state aid, etc.) support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants directly associated with the function.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus emphasizes the sustainability of the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Agency are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, fund equity, revenues and expenditures/expenses.

The following fund types are used by the Agency:

Governmental Funds

The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Agency:

- **General Fund** – The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Education Fund** – The Special Education Fund is used to account for financial resources that provide special education services.
- **Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources of major capital expenditures, including equipment.
- **Debt Service Fund** – The Debt Service Fund is used to accumulate resources for the periodic payment of interest and principal on long-term debt.

Proprietary Funds

The focus of proprietary funds' measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows. The following is a description of the Proprietary Funds of the Agency:

- **Internal Service Funds** – Internal Service Funds are used to account for the financing of services provided by an activity to other departments, funds, or component units, if any, on a cost-reimbursement basis. The Agency uses two internal service funds to account for unemployment and retirement benefits.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Agency programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column for presentation. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental combined) for the determination of major funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Agency's Internal Service Funds are presented in the Proprietary Funds' financial statements. Because the principal users of the services are the Agency's governmental activities, the financial statements are consolidated into the governmental activities column when presented in the government-wide financial statements.

The Agency's Fiduciary Fund is presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Basis of Accounting

The basis of accounting refers to the point at which revenues and expenditures/expense are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government activities in government-wide financial statements, and proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded susceptible to accrual; that is, both measurable and available. "Available" means collectible within the current period or within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except for principal and interest on general obligation debt, if any, is recognized when due.

Financial Statement Amounts

Cash and Cash Equivalents – The Agency has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with an initial maturity of three months or less.

Investments – The Agency holds investments, where cost equals market value, in governmental mutual funds, and in the Michigan Liquid Asset Fund investment pool.

Capital Assets – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical or estimated historical cost. Contributed assets, if any, are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significant extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings and Improvements	20 – 50 Years
Furniture and Fixtures	5 – 10 Years
Vehicles	8 Years

General capital assets are those not reported in proprietary funds, and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Assets, but are reported in the fund financial statements as capital outlay expenditures.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accrued Liabilities and Long-Term Obligations – Payables and accrued liabilities that will be paid from governmental funds are reported on governmental fund financial statements regardless of whether they will be liquidated with current financial resources. The non-current portion of capital leases and compensated absences, that will be paid from governmental funds are reported as a liability in fund financial statements only to the extent that they will be paid with current, expendable, available financial resources (generally, within sixty days of year-end). Bonds and other non-current liabilities that will be paid from governmental funds are not recognized as a liability in fund financial statements until due.

Deferred Revenue – The Agency reports deferred revenue when revenue does not meet both the “measurable” and “available” criteria for recognition in the current period, or when resources are received by the Agency before it has a legal claim to them, such as when grant money is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Agency has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Net Assets – Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted only when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or other government regulation.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are treated as revenues and expenditures/expenses. Reimbursement occurs when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-Wide Financial Statements.

Special Items – Special items are transactions or events that are within the control of the Agency, and that are either unusual in nature or infrequent in occurrence.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Process – The Agency follows budgetary process prescribed by provisions of the State of Michigan Uniform Budgeting and Accounting Act, and entails the preparation of budgetary documents within an established timetable. All funds are legally required to be budgeted and appropriated with the exception of fiduciary funds. The legal level of budgetary control has been established at the functional level with modifications made only by a resolution of the Board. At the close of each year, budget appropriations lapse.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2005, the Agency's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$3,967,095	\$7,491	\$3,974,586
Investments	7,520	-	7,520
	<u>\$3,974,615</u>	<u>\$7,491</u>	<u>\$3,982,106</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. State law does not require and the Agency does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$3,009,323 of the Agency's bank balance of \$3,120,300 was exposed to custodial credit risk as being uninsured and uncollateralized.

Investments

As of June 30, 2005, the Agency had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
Michigan Liquid Asset Fund – mutual funds	<u>\$7,520</u>	<u>\$7,520</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Agency's investments. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the Agency to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Agency has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The Agency's investments are in accordance with statutory authority.

NOTE C – CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Non-Depreciated Capital Assets:				
Land	\$224,031	\$-	\$-	\$224,031
Subtotal	224,031	-	-	224,031
Other Capital Assets:				
Building	2,854,178	-	-	2,854,178
Equipment	203,326	8,466	7,820	203,972
Subtotal	3,057,504	8,466	7,820	3,058,150
Total Capital Assets	3,281,535	8,466	7,820	3,282,181
Accumulated Depreciation:				
Building	(109,412)	(57,084)	-	(166,496)
Equipment	(85,063)	(23,732)	(2,852)	(105,943)
Subtotal	(194,475)	(80,816)	(2,852)	(272,439)
NET CAPITAL ASSETS	\$3,087,060	\$(72,350)	\$4,968	\$3,009,742

Depreciation expense was not allocated to specific governmental functions and it appears on the Statement of Activities as unallocated.

NOTE D – INTERFUND TRANSFERS:

Interfund transfers are included under "Other Financing Sources (Uses)" in fund financial statements to identify amounts transferred between funds during the year ended June 30, 2005, as well as for interfund charges for services.

Amounts transferred to and from various individual funds during the year ended June 30, 2005, are as follows:

Fund	Transfers to Other Funds	Fund	Transfers from Other Funds
General Fund	\$79,120	Debt Service Fund	\$79,120
General Fund	50,000	Capital Projects Fund	50,000
Special Education	379,718	General Fund	379,718
Capital Projects Fund	50,000	Debt Service Fund	50,000
Total	\$558,838	Total	\$558,838

NOTE E – TERMINAL LEAVE:

Upon retirement from the Agency and upon simultaneously becoming eligible for benefits from the Michigan Public School Employees' Retirement System, the Agency shall pay to certain eligible employee's terminal leave benefits based upon various labor and union contract terms or administrative policies. These funds are accrued in the Terminal Leave Fund, which is an Internal Service Fund, as accrued liabilities to meet this obligation. The balance at June 30, 2005 is \$84,000.

NOTE F – LONG-TERM DEBT:

A summary of the changes in long-term debt for the year ended June 30, 2005, is as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Governmental Activities General Long-Term Debt:				
School Building and Site Bonds, Series 2002	\$1,840,000	\$-	\$40,000	\$1,800,000
School Improvement Bond, Series 1998	297,502	-	-	297,502
Capital lease obligation	7,763	-	3,576	4,187
Compensated absences	76,055	18,641	-	94,696
Total	<u>\$2,221,320</u>	<u>\$18,641</u>	<u>\$43,576</u>	<u>\$2,196,385</u>

The annual debt service requirements to maturity, including both principal and interest, for the non-current liabilities (excluding compensated absences) are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$91,238	\$101,646	\$192,884
2007	65,533	97,173	162,706
2008	71,517	94,125	165,642
2009	72,540	90,801	163,341
2010	78,608	87,427	166,035
2011-2015	456,040	378,913	834,953
2016-2020	456,213	268,547	724,760
2021-2025	560,000	149,700	709,700
2026-2027	250,000	18,750	268,750
Total	<u>\$2,101,689</u>	<u>\$1,287,082</u>	<u>\$3,388,771</u>

SCHOOL IMPROVEMENT BOND, SERIES 1998

The Agency participated in the School Improvement Bond, Series 1998, to obtain one-half of their allocation of the statewide Durant Settlement. As part of the settlement, the Agency will receive one-half of their total settlement of \$931,342 over a ten-year period. The other half of the settlement was received through bond proceeds obligated to the Agency. The debt service requirements of the bonds funded through annual state aid payments are repaid over a fifteen -year period that began May 15, 1999. A schedule of the Agency's remaining bond repayment requirements are as follows:

Year Ended June 30	Governmental Activities		
	Durant Bonds		
	Principal	Interest	Total
2006	\$42,051	\$14,165	\$56,216
2007	20,533	12,163	32,696
2008	21,517	11,185	32,702
2009	22,540	10,161	32,701
2010	23,608	9,087	32,695
2011-2015	136,040	27,463	163,503
2016	31,213	1,487	32,700
Total	<u>\$297,502</u>	<u>\$85,711</u>	<u>\$383,213</u>

NOTE F – LONG-TERM DEBT (Continued):**SCHOOL BUILDING AND SITE BONDS, SERIES 2002**

The Agency obtained general obligation bonds in the amount to \$1,900,000 for the purchase and renovation of a new instructional and administration building. The interest, payable semiannually on May 1 and November 1 of each year, ranges from 4.60 percent to 5.00 percent. Principal is payable in varying amounts on May 1. Bonds maturing after 2011 are eligible for redemption. The Agency's remaining bond repayment requirements are as follows:

	Governmental Activities			
	General Obligation			
	November 1	May 1		Total
June 30	Interest	Principal	Interest	
2006	\$43,540	\$45,000	\$43,540	\$132,080
2007	42,505	45,000	42,505	130,010
2008	41,470	50,000	41,470	132,940
2009	40,320	50,000	40,320	130,640
2010	39,170	55,000	39,170	133,340
2011 – 2015	175,725	320,000	175,725	671,450
2016 – 2020	133,530	425,000	133,530	692,060
2021 – 2025	74,850	560,000	74,850	709,700
2026 – 2027	9,375	250,000	9,375	268,750
Total	\$600,485	\$1,800,000	\$600,485	\$3,000,970

CAPITAL LEASE OBLIGATION

The Agency financed the purchase of a voice mail system using an installment purchase agreement that requires forty-eight monthly payments of \$380, including interest at 15.89%. The \$13,949 cost of the equipment and its \$3,953 of accumulated amortization are included in the Government-Wide Statement of Net Assets as a capital asset. The future minimum lease payments are as follows:

June 30	Principal	Interest	Total
2006	\$4,187	\$401	\$4,588

NOTE G – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

The Agency contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor, and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The annual report may be obtained by writing to the Department of Management and Budget, Office of Retirement Systems, P.O. Box 30171, Lansing, Michigan 48909-7671, or by calling (517) 322-5103.

NOTE G – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN
(Continued):

The Agency is required by state statute to contribute 12.99 percent of covered payroll from July 1, 2004 to September 30, 2004, and 14.87 percent from October 1, 2004 to June 30, 2005. Contributions to MPERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the Agency are established and may be amended only by state statute. The Agency's contributions to MPERS for the years ending June 30, 2005, 2004, and 2003, were \$414,917; \$359,982; and \$355,497, respectively. Required contributions payable at June 30, 2005, 2004, and 2003, of \$17,613; \$16,755; and \$22,340, respectively, were remitted after year-end.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9 percent. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Basic Plan members make no contributions. Contributions collected and remitted by the School Agency on behalf of MIP members for the years ending June 30, 2005, 2004, and 2003, were \$87,475; \$86,323; and \$83,897, respectively, equal to the required contributions for each year.

Other Post-Employment Benefits

In addition to the pension benefits, MPERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPERS is factored into the pension contribution rate.

NOTE H – PROPERTY TAXES:

The taxable value of real and personal property located in the Agency's geographic area at December 1, 2004, totaled \$1,644,500,172 representing approximately 50 percent of the estimated current value. The tax levy for the year was based on mileage rates of .2145 mills for general education and 1.8270 mills for special education (one mill is equal to \$1.00 per \$1,000 of taxable value).

NOTE I – RISK ASSESSMENT MANAGEMENT:

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency, together with approximately 334 other school districts in the State, participates in the MASB-SEG Property/Casualty Pool, Inc., (Pool), a governmental group

NOTE I – RISK ASSESSMENT MANAGEMENT:

property and casualty self-insurance pool. The Agency pays an annual premium to the Pool for its general insurance, workers' compensation, and errors and omissions coverage. Members' contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded. The Pool may assess members a supplemental assessment in the event of deficiencies.

The Pool limits the maximum net loss that may arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risk with other insurers or re-insurers. The Agency's comprehensive and fleet insurance coverage is limited to a maximum of \$5,000,000 per occurrence for all claims. The Pool is responsible for paying costs up to the insurance limits with any additional costs covered by the Agency.

The Agency estimates that the amount of actual or potential claims, if any, against the Agency as of June 30, 2005, exceeding the risk pools' coverage, is not material to the basic financial statements. Therefore, no provision for estimated claims is recognized.

NOTE J – NOTE RECEIVABLE:

The Agency entered into a land contract to sell the former administration building in the amount of \$625,000. Upon the execution of a land contract in June 2002, the Agency received a payment of \$400,000 toward the cost of the building. No interest is payable on the remaining outstanding balance of the land contract. The remaining amount due for the building of \$50,000 will be received in the year ended June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	\$ 388,247	\$ 387,335	\$ 379,897	\$ (912)	\$ (7,438)
Other local sources	114,942	973,772	555,356	858,830	(418,416)
State sources	835,342	1,034,342	958,382	199,000	(75,960)
Federal sources	361	1,514,569	1,186,150	1,514,208	(328,419)
Interest	2,000	25,700	29,285	23,700	3,585
Other sources	160,715	247,479	236,602	86,764	(10,877)
TOTAL REVENUES	1,501,607	4,183,197	3,345,672	2,681,590	(837,525)
EXPENDITURES:					
Instruction	87,702	143,067	120,733	(55,365)	22,334
Support services:					
Pupil services	38,129	348,112	254,415	(309,983)	93,697
Instructional staff services	592,928	1,601,671	1,282,161	(1,008,743)	319,510
General administration services	237,068	226,653	215,167	10,415	11,486
Business administration services	323,877	329,030	328,772	(5,153)	258
Pupil transportation	750	100	68	650	32
Operations and maintenance	166,637	162,432	155,789	4,205	6,643
Central services	316,815	347,441	318,548	(30,626)	28,893
Total Support Services	1,676,204	3,015,439	2,554,920	(1,339,235)	460,519
Community Services	93,754	521,312	404,237	(427,558)	117,075
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	17,385	16,093	(17,385)	1,292
TOTAL EXPENDITURES	1,857,660	3,697,203	3,095,983	(1,839,543)	601,220
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(356,053)	485,994	249,689	842,047	(236,305)
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	250,030	260,741	250,598	10,711	(10,143)
Transfers to local districts	(30,937)	(743,189)	(477,452)	(712,252)	265,737
TOTAL OTHER FINANCING SOURCES (USES)	219,093	(482,448)	(226,854)	(701,541)	255,594
NET CHANGE IN FUND BALANCE	(136,960)	3,546	22,835	140,506	19,289
Fund Balance, July 1	1,608,692	1,608,692	1,608,692	-	-
FUND BALANCE, JUNE 30	\$ 1,471,732	\$ 1,612,238	\$ 1,631,527	\$ 140,506	\$ 19,289

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
Special Education Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Property taxes	\$ 3,306,792	\$ 3,306,255	\$ 3,253,389	\$ (537)	\$ (52,866)
Other local sources	345,833	660,222	665,952	314,389	5,730
State sources	620,847	692,994	690,690	72,147	(2,304)
Federal sources	28,895	6,454,309	5,423,608	6,425,414	(1,030,701)
Interest	10,000	40,000	43,191	30,000	3,191
Other sources	79,362	72,223	43,535	(7,139)	(28,688)
TOTAL REVENUES	4,391,729	11,226,003	10,120,365	6,834,274	(1,105,638)
EXPENDITURES:					
Instruction	425,103	802,647	724,164	(377,544)	78,483
Support services:					
Pupil services	356,490	1,307,886	1,246,194	(951,396)	61,692
Instructional staff services	359,133	674,404	459,030	(315,271)	215,374
General administration services	-	16,750	14,850	(16,750)	1,900
Business administration services	11,787	12,097	8,255	(310)	3,842
Pupil transportation	3,500	2,000	3,878	1,500	(1,878)
Operations and maintenance	3,312	3,878	1,431	(566)	2,447
Central services	-	2,614,412	1,868,354	(2,614,412)	746,058
Other support services	5,000	-	-	5,000	-
Total Support Services	739,222	4,631,427	3,601,992	(3,892,205)	1,029,435
Community Services	1,000	88,225	56,468	(87,225)	31,757
Capital outlay	-	43,483	36,650	(43,483)	6,833
TOTAL EXPENDITURES	1,165,325	5,565,782	4,419,274	(4,400,457)	1,146,508
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,226,404	5,660,221	5,701,091	2,433,817	40,870
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	(153,537)	(389,661)	(379,718)	(236,124)	9,943
Transfers to local districts	(2,494,738)	(4,376,015)	(5,131,887)	(1,881,277)	(755,872)
TOTAL OTHER FINANCING SOURCES (USES)	(2,648,275)	(4,765,676)	(5,511,605)	(2,117,401)	(745,929)
NET CHANGE IN FUND BALANCE	578,129	894,545	189,486	316,416	(705,059)
Fund Balance, July 1	803,723	803,723	803,723	-	-
FUND BALANCE, JUNE 30	\$ 1,381,852	\$ 1,698,268	\$ 993,209	\$ 316,416	\$ (705,059)

OTHER INFORMATION

For the Year Ended June 30, 2005

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2005
U.S. Department of Education:								
Direct Program:								
Fund for the Improvement of Education								
Project S215F020033		84.215	\$ 432,685	\$ 81,594	\$ -	\$ -	\$ -	\$ -
TOTAL DIRECT			432,685	81,594	-	-	-	-
Passed through Mich. Department of Education:								
Title I Grants to Local Educational Agencies								
Part A								
	Project 031530 0203	84.010	8,938	8,938	-	-	-	-
	Project 041530 0304	84.010	8,008	8,008	-	-	-	-
	Project 051530 0405	84.010	9,900	-	-	9,900	-	9,900
Part D								
	Project 031700 0203	84.010	20,745	15,087	-	-	-	-
	Project 041700 0304	84.010	27,753	18,213	8,663	9,540	18,203	-
	Project 041700 0405	84.010	12,797	-	-	12,797	11,949	848
	Project 051700 0405	84.010	46,333	-	-	19,018	3,773	15,245
TOTAL			134,474	50,246	8,663	51,255	33,925	25,993
Special Education Grants to State								
	P.L. 94-142 Flow Through							
	Project 030450 0203C	84.027	863,616	863,616	-	-	-	-
	Project 040450 0304	84.027	1,784,451	1,382,680	867,206	401,771	1,268,977	-
	Project 050450 0405	84.027	2,033,117	-	-	1,734,868	1,344,700	390,168
Special Education IDEA/ISD								
	Project 040470 1D33	84.027	328,270	328,270	144,668	-	144,668	-
	Project 050470 1D33	84.027	390,000			343,415	184,952	158,463
State Initiated Competitive								
	Project 040480 EOSD	84.027	40,000	40,000	4,597	-	4,597	-
	Project 040480 TMT	84.027	14,407	14,407	7,355	-	7,355	-
	Project 050480 EOSD	84.027	40,000	-	-	40,000	40,000	-
	Project 050480 TMT	84.027	14,449	-	-	14,449	9,139	5,310
			37					

Federal Grantor		Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2005							
Pass Through Grantor															
Program Title Grant Number									Federal CFDA Number						
State Ed. IDEA State Initiated Department															
Project 040490 CB		84.027	\$ 35,394	\$ 35,394	\$ 412	\$ -	\$ 412	\$ -							
Project 040490 TS		84.027	70,000	70,000	14,852	-	14,852	-							
Project 050490 CB		84.027	26,295	-	-	26,295	26,119	176							
Project 050490 TS		84.027	70,000	-	-	70,000	63,306	6,694							
TOTAL			5,709,999.00	2,734,367.00	1,039,090.00	2,630,798.00	3,109,077.00	560,811							
Special Education - Preschool Grants															
Project 030460 0203C		84.173	55,980	55,980	-	-	-	-							
Project 040460 0304		84.173	107,615	52,713	26,378	54,902	81,280	-							
Project 050460 0405		84.173	107,380	-	-	80,163	44,187	35,976							
			270,975	108,693	26,378	135,065	125,467	35,976							
Special Education - Infants & Families with Disabilities Infant & Toddler Formula Grants															
Project 031340 190C		84.181	29,241	29,241	-	-	-	-							
Project 041340 190		84.181	132,703	95,871	17,230	36,832	51,037	3,025							
Project 051340 190		84.181	119,328	-	-	88,727	76,831	11,896							
			281,272	125,112	17,230	125,559	127,868	14,921							
Safe & Drug Free Schools & Communities - State Grants Drug Free Formula															
Project 032860 0304		84.186	37,077	37,077	10,333	-	10,333	-							
Project 042860 0304		84.186	150,501	150,501	47,961	-	47,961	-							
Project 042860 0405		84.186	49,246	-	-	49,246	49,246	-							
Project 052860 0405		84.186	177,438	-	-	164,185	109,989	54,196							
			414,262	187,578	58,294	213,431	217,529	54,196							
Homeless Children & Youths HAA VII-B Homeless Child Education															
Project 032320 0304		84.196	15,153	15,153	-	-	-	-							
Project 042320 0405C		84.196	17,120	-	-	17,120	17,120	-							
Project 042320 0304		84.196	104,756	104,756	25,266	-	25,266	-							
Project 052320 0405		84.196	124,275	-	-	113,112	91,919	21,193							
			261,304	119,909	25,266	130,232	134,305	21,193							
Voc Ed. Tech-prep Education Voc Ed. Technical Prep															
Project 043540 401402		84.243	131,186	131,186	53,928	-	53,928	-							
Project 053540 501402		84.243	100,853	-	-	100,853	82,497	18,356							
			232,039	131,186	53,928	100,853	136,425	18,356							

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2005
Eisenhower Professional Development State Grant Eisenhower Formula Project 020240 06		84.281	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -
Innovative Education Program Strategies Title V LEA Allocation								
Project 030250 0203		84.298	22,509	19,667	-	-	-	-
Project 040250 0304		84.298	23,700	3,705	2,000	19,995	21,995	-
Project 050250 0405		84.298	17,299	-	-	4,098	1,304	2,794
			63,508	23,372	2,000	24,093	23,299	2,794
Technology Literacy Challenge Funds Grant Title II, Part D - Enhancing Education. Through Technology Project 044300 01		84.318	50,000	7,396	7,396	42,604	50,000	-
			50,000	7,396	7,396	42,604	50,000	-
State Program Improvement Grants State Improvement								
Project 020620 03001		84.323	636,200	339,232	6,799	-	6,799	-
Project 020620 03001C		84.323	119,152	-	-	119,152	119,152	-
Project 030620 03001		84.323	1,869,000	284,268	284,268	1,584,732	1,869,000	-
Project 050620 03001		84.323	1,386,000	-	-	719,156	242,684	476,472
			4,010,352	623,500	291,067	2,423,040	2,237,635	476,472
Improving Teacher Quality State Grant State Grant Title II Part A								
Project 040520 0304		84.367	329	-	-	329	329	-
Project 050520 0405		84.367	337	-	-	337	-	337
			666	-	-	666	329	337
TOTAL PASSED THROUGH MDE			11,478,851	4,161,359	1,529,312	5,877,596	6,195,859	1,211,049
Pass-Through Grand Valley State University Special Education Grants to State IDA Part B State Mandated Activities Grant								
Project 040490 3D51		84.027	61,900	61,900	-	-	-	-
START Instructional Video/Public Transit Project 050490-ID20		84.027	2,000	-	-	2,000	2,000	-

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2005
RCN-UPAN Autism Project 050490-ID20		84.027	\$ 38,410	\$ -	\$ -	\$ 27,025	\$ 38,410	\$ (11,385)
TOTAL			102,310	61,900	-	29,025	40,410	(11,385)
Pass-Through Delta Schoolcraft Intermediate Schools Vocational Education Grant								
Perkins								
Project 04012-02		84.048	128,259	128,259	128,259	-	128,259	-
Project 05012-02		84.048	126,132	-	-	126,132	49,249	76,883
TOTAL			254,391	128,259	128,259	126,132	177,508	76,883
Pass-Through Department of Career Development Michigan Rehabilitation Services								
Vocational Rehabilitation Grant								
Project 2003 59357 53032		84.126	19,675	1,977	-	-	-	-
Project 2004 59357 54920		84.126	14,756	13,619	4,770	1,137	5,907	-
Project 2005 59357 58526		84.126	11,805	-	-	6,112	4,463	1,649
TOTAL			46,236	15,596	4,770	7,249	10,370	1,649
Pass-Through Community Service for Expelled or Suspended Students Eaton ISD								
Title IV								
CSCG SAPE 03-04		84.184C	29,580	27,715	13,569	1,790	15,359	-
CSCG SAPE 03-04		84.184C	35,650	3,660	3,660	31,990	35,650	-
CSCG SAPE 04-05		84.184C	50,434	-	-	42,680	11,187	31,493
TOTAL			115,664	31,375	17,229	76,460	62,196	31,493
Pass-Through Dickinson-Iron Intermediate School District								
Teaching American History Grant (Building bridges)								
Project U215X040066		84.215	38,055	-	-	38,055	8,742	29,313
TOTAL			38,055	-	-	-	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION			12,468,192	4,480,083	1,679,570	6,154,517	6,495,085	1,339,002

Federal Grantor Pass Through Grantor Program Title Grant Number		Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2005
U.S. Department of Health & Human Services								
Pass through U.P. Health Education Corporation								
Grants for Basic/Care Area Health Education Centers								
Project 2004		93.824	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
Pass through Department of Community Health								
Medicaid Program								
Medicaid Administrative Outreach		93.778	50,685	-	-	50,685	50,685	-
Medicaid Transportation		93.778	26,088	-	-	26,088	26,088	-
Pass through Pathways for Health Living								
Block Grants for Prevention & Treatment of Substance Abuse								
Project 0203		93.959	84,925	4,157	-	-	-	-
Project 0304		93.959	84,925	84,925	39,876	-	39,876	-
Project 00 B1 MI SAPT 04-05		93.959	84,925	-	-	84,925	40,940	43,985
TOTAL U.S. DEPARTMENT OF HHS			336,548	89,082	39,876	166,698	162,589	43,985
Corporation for National and Community Service								
Pass through Michigan Community Service Commission								
Learn and Serve								
Project MCSC ISDLS F 09/05		94.004	50,000	-	-	29,528	22,731	6,797
Project MCSC ISDLS F 04/04		94.004	46,000	17,152	13,353	28,848	42,201	-
TOTAL			96,000	17,152	13,353	58,376	64,932	6,797
AMERICORPS								
Project MCSC MAC F-146 03		94.006	192,200	36,846	849	-	849	-
Project MCSC MAC F-170 04		94.006	198,334	129,351	20,332	19,592	39,924	-
Project MCSC MAC F-183 05		94.006	201,608	-	-	141,074	120,327	20,747
TOTAL			592,142	166,197	21,181	160,666	161,100	20,747
TOTAL CORPORATION FOR NCS			688,142	183,349	34,534	219,042	226,032	27,544
U.S. Department of Homeland Security								
State Domestic Preparedness Equipment Support								
Passed through Michigan State Police Department								
Homeland Security		97.004	6,600	2,308	2,308	4,292	6,600	-
TOTAL U.S. DEPARTMENT OF HOMELAND SEC.			6,600	2,308	2,308	4,292	6,600	-

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2004	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2005
U.S. Department of Justice							
Pass through Pathways to Healthy Living							
Office of Juvenile Justice & Delinquency Prevention							
Project 2002-JN-FX-0013	16.729	\$ 56,022	\$ 7,750	\$ -	\$ -	\$ -	-
Project 2002-JN-FX-0013 04-05	16.729	43,800	-	-	38,188	14,624	23,564
Project 2002-JN-FX-0013	16.729	2,000	2,000	-	-	-	-
Project 2002-JN-FX-0013	16.729	43,800	43,800	34,786	-	34,786	-
TOTAL U.S. DEPARTMENT OF JUSTICE		145,622	53,550	34,786	38,188	49,410	23,564
U.S. Department of Labor							
Pass through State of Michigan Department of Labor & Economic Growth office of Career & Technical Prep.							
Work force Investment Act Incentive Grant Section 503							
Entrepreneurship Curriculum Development							
Project 650W02-01	17.267	194,490	-	-	23,315	-	23,315
TOTAL U.S. DEPARTMENT OF LABOR		194,490	-	-	23,315	-	23,315
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 13,839,594	\$ 4,808,372	\$ 1,791,074	\$ 6,606,052	\$ 6,939,716	\$ 1,457,410

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

NOTE A – SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards is prepared using the same significant accounting policies as those used in the preparation of the basic financial statements.

NOTE B – RECONCILIATION OF FEDERAL AWARDS:

Management has utilized the Grants Section Auditors Report (R7120) in preparing the Schedule of Expenditures of Federal Awards. The amount received as listed on Form R7120 of \$6,195,859 equals the U.S. Department of Education Grants passed through from the Michigan Department of Education.

The difference between the federal revenue listed in the basic financial statements and the total federal expenditures listed on the Schedule Expenditures of Federal Awards of \$3,706, the Federal payment in lieu of taxes.

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Marquette-Alger Regional Educational Service Agency
Marquette, Michigan 49855

We have audited the financial statements of Marquette-Alger Regional Educational Service Agency as of and for the year ended June 30, 2005, and have issued our report thereon dated September 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marquette-Alger Regional Educational Service Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered whether Marquette-Alger Regional Educational Service Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition, in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 14, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Marquette-Alger Regional Educational Service Agency
Marquette, Michigan 49855

Compliance

We have audited the compliance of Marquette-Alger Regional Educational Service Agency's with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Marquette-Alger Regional Educational Service Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marquette-Alger Regional Educational Service Agency's management. Our responsibility is to express an opinion on Marquette-Alger Regional Educational Service Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette-Alger Regional Educational Service Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette-Alger Regional Educational Service Agency's compliance with those requirements.

In our opinion, Marquette-Alger Regional Educational Service Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Educational Service Agency
Marquette, Michigan 49855

Internal Control Over Compliance

The management of Marquette-Alger Regional Educational Service Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marquette-Alger Regional Educational Service Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion Marquette-Alger Regional on compliance and to test and report on internal control over compliance in Board of Education accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition, in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 14, 2005

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

SUMMARY OF AUDIT RESULTS:

1. The auditors' report expresses an unqualified opinion on the financial statements of Marquette-Alger Regional Educational Service Agency.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Marquette-Alger Regional Educational Service Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed regarding the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Marquette-Alger Regional Educational Service Agency expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that require disclosure under Section 510(a) of OMB Circular A-133.
7. The programs tested as major include State Program Improvement Grants (CFDA #84.323).
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. Marquette-Alger Regional Educational Service Agency qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT:

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None

**SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005**

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
Title V 2004-05									
Proj 060250/0405	84.298	11-0-394150							
Passed thru to:									
Delta-Schoolcraft ISD			2,794.00			2,794.00		2,794.00	
Dickinson-Iron ISD			2,403.00						
Menominee ISD			1,293.00						
Total Passed to Subrecipients			6,490.00			2,794.00		2,794.00	
Homeless 2003-04									
Proj 042320/0304	84.196A	11-0-394240							
Passed thru to:									
All Against Domestic Violence			2,000.00		1,880.65				
Baraga County Shelter Home			2,000.00		2,000.00				
Barbara Kettie Gundlach Shelter			2,000.00		1,998.19				
Caring House			2,000.00		2,000.00				
Diane Peppier Resource Center			2,000.00		2,000.00				
Child & Family Services of UP			2,000.00	1,851.70	1,851.70		1,851.70		
Rainbow House			1,000.00	1,000.00	1,000.00		1,000.00		
Sault Ste Marie Housing Comm			1,000.00		988.40				
Domestic Violence Escape			2,000.00		2,000.00				
Lutheran Soc. Serv.-Voices			2,000.00		1,944.00				
Women's Center			2,000.00		2,000.00				
Total Passed to Subrecipients			20,000.00	2,851.70	19,653.94		2,851.70		
Perkins 04-05									
Proj 5012-02	84.048A	11-0-414150							
Passed thru to:									
Gwin			6,110.42			6,110.42	6,110.42		
Isipeming			5,526.00			5,526.00	5,526.00		
Marquette			24,088.00			24,088.00	24,088.00		
Negaunee			11,544.00			11,544.00	11,544.00		
NCE			18,144.00			18,144.00	18,144.00		
Superior Central			1,320.00			1,320.00	1,320.00		
Total Passed to Subrecipients			66,732.42			66,732.42	66,732.42		
Perkins 03-04									
Proj 4012-02	84.048A	11-0-414140							
Passed thru to:									
Gwin			6,240.00	1,189.63	6,240.00			1,189.63	
Isipeming			7,702.00	7,702.00	7,702.00			7,702.00	
Marquette			28,002.00	28,002.00	28,002.00			28,002.00	
Negaunee			10,795.00	10,795.00	10,795.00			10,795.00	
NCE			13,656.00	13,656.00	13,656.00			13,656.00	
Superior Central			1,973.00	1,973.00	1,973.00			1,973.00	
Total Passed to Subrecipients			68,368.00	63,317.63	68,368.00			63,317.63	
Tech Prep 03-04									
Proj 043540/4014-02	84.243A	11-0-414240							
Passed thru to:									
Bay De Noc Community College			16,398.00	16,398.00	16,398.00			16,398.00	
Delta-Schoolcraft ISD			25,254.00	9,706.73	25,254.00			9,706.73	
Dickinson-Iron ISD			20,567.00	6,119.00	20,567.00			6,119.00	
Menominee ISD			11,112.00	8,790.32	8,790.32			8,790.32	
Total Passed to Subrecipients			73,331.00	41,016.05	71,005.32			41,016.05	

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
Tech Prep 04-05									
Proj 053540/5014-02	84.243A	11-0-414250							
Passed thru to:									
Bay De Noc Community College			12,607.00			12,607.00	9,621.00	2,986.00	
Delta-Schoolcraft ISD			28,732.00			28,732.00	21,933.28	6,798.72	
Dickinson-Iron ISD			15,673.00			15,673.00	15,573.00		
Total Passed to Subrecipients			57,012.00			56,912.00	47,127.28	9,784.72	
Entrepreneurship Curr Dev 04-05									
Proj 650 W02-01	17.267	11-0-464150							
Passed thru to:									
Bay De Noc Community College			6,900.00						
Copper Country ISD			9,500.00						
Delta-Schoolcraft ISD			14,690.00			4,791.03		4,791.03	
Dickinson-Iron ISD			17,270.00			6,513.99		6,513.99	
Eastern UP ISD			8,250.00						
Finlandia University			4,090.00						
Gogebic Community College			6,930.00						
Gogebic-Ontonagon ISD			9,010.00						
Lake Superior State University			6,790.00			2,706.64		2,706.64	
Michigan Technical University			2,900.00						
Northern Michigan University			7,800.00						
Total Passed to Subrecipients			96,130.00			14,011.66		14,011.66	
Safe & Drug Free Schools (71103-630004) C/O									
Proj 042860/0405	84.186A	11-0-614141							
Passed thru to:									
Aulrain-Onota			216.00			216.00			
Bark River-Harris			1,336.00			1,336.00			
Big Bay de Noc			993.00			993.00			
Brietung			3,558.00			3,558.00			
Burt			204.00			204.00			
Escanaba Area Schools			8,994.00			8,994.00			
Forest Park			1,536.00			1,536.00			
Gladstone			11,443.00			3,943.00	7,500.00		
Gwinn			4,041.00			4,041.00			
Iron Mountain			11,001.00			3,501.00	7,500.00		
Ishpeming			3,072.00			3,072.00			
Manistique			3,764.00			3,764.00			
Marquette			9,771.00			9,771.00			
Menominee			3,935.00			3,935.00			
Mid Peninsula			1,275.00			1,275.00			
Munising			2,185.00			2,185.00			
Nah Tah Wansh PSA			251.00			251.00			
Negaunee			3,596.00			3,596.00			
NICE			2,335.00			2,335.00			
North Central			1,310.00			1,310.00			
North Dickinson			852.00			852.00			
North Star Academy			232.00			232.00			
Norway-Vulcan			1,684.00			1,684.00			
Powell			272.00			272.00			
Rapid River			1,119.00			1,119.00			
Republic-Michiganme			510.00			510.00			

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
Stephenson			3,243.00		3,243.00				
Superior Central			1,156.00		1,156.00				
Wells			60.00		60.00				
West Iron County			3,848.00		3,848.00				
Total Passed to Subrecipients			87,792.00		72,792.00	15,000.00	15,000.00		
Safe & Drug Free Schools (7/1/04-6/30/05)									
Proj 052860/0405	84.186A	11-0-614150							
Passed thru to:									
Autrain-Onda			58.00			58.00			
Bark River-Harris			1,617.00			1,617.00			
Big Bay de Noc			1,038.00			1,038.00			
Bretung			3,674.00			3,674.00			
Burt			213.00			213.00			
Escanaba Area Schools			8,306.00			8,306.00			
Forest Park			1,546.00			1,546.00			
Gladstone			3,478.00			3,478.00			
Gwinn			4,279.00			4,279.00			
Iron Mountain			3,301.00			3,301.00			
Ishpeming			2,991.00			2,991.00			
Manistique			3,546.00			3,546.00			
Marquette			9,076.00			9,076.00			
Menominee			4,187.00			4,187.00			
Mid Peninsula			1,139.00			1,139.00			
Munising			2,060.00			2,060.00			
Nah Tah Waiash PSA			103.00			103.00			
Negaunee			3,297.00			3,297.00			
NICE			2,302.00			2,302.00			
North Central			1,101.00			1,101.00			
North Dickinson			1,032.00			1,032.00			
North Star Academy			228.00			228.00			
Norway-Vulcan			1,799.00			1,799.00			
Powell			247.00			247.00			
Rapid River			1,021.00			1,021.00			
Republic-Michigamme			480.00			480.00			
Stephenson			2,869.00			2,869.00			
Superior Central			1,240.00			1,240.00			
Wells			22.00			22.00			
West Iron County			3,707.00			3,707.00			
Total Passed to Subrecipients			69,957.00			69,957.00			
LEA Medicaid Outreach									
Proj *****	93.778	22-0-194100							
Passed thru to:									
Autrain-Onda									
Burt									
Gwinn									
Ishpeming									
Marquette									
Munising									
Negaunee									
NICE									
Northstar									
Republic-Mich									

\$55,763.40 Received this year....recorded payable to LEA's....no actual transfer to them until backcasting is complete.

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
Superior Central									
Wells									
Total Passed to Subrecipients									
LEA Medicaid FFS-Transportation									
Proj *****	93.778	22-0-194200							
Passed thru to:									
Autrain-Onota			490.00			490.00	490.00		
Burt									
Gwinn			1,379.39			1,379.39	1,379.39		
Isipeming			8,178.68		1,531.22	6,647.46	6,647.46		
Marquette			7,328.36			7,328.36	7,328.36		
Munising			517.22			517.22	517.22		
Negaunee			3,296.23			3,296.23	3,296.23		
NICE			1,654.98			1,654.98	1,654.98		
Northstar									
Powell									
Republic-Mich									
Superior Central									
Wells									
Total Passed to Subrecipients			22,844.86		1,531.22	21,313.64	21,313.64		
Flow Through									
Proj 040450/0304	84.027A	22-0-714140							
Passed thru to:									
Autrain			4,397.19	1,388.74	4,397.19		1,388.74		
Burt			8,914.97	3,543.92	8,922.59		3,543.92		
Gwinn			157,038.58		124,585.58				
Isipeming			112,542.79	28,619.58	102,504.07		28,619.58		
Marquette			389,527.38	141,112.38	389,527.38		141,112.38		
Munising									
Negaunee			161,244.02	73,763.58	156,436.68		73,763.58		
NICE			144,056.64		144,056.64				
Northstar			7,550.71	6,868.00	7,550.71		6,868.00		
Powell			6,869.80	6,580.00	6,869.80		6,580.00		
Republic-Mich									
Superior Central			26,907.72	6,235.93	26,907.72		6,235.93		
Wells			3,050.00		3,050.00				
Total Passed to Subrecipients			1,022,099.80	268,112.13	974,705.36		268,112.13		
Flow Through 04-05 (7/1/04-6/30/05)									
Proj 050450/0405	84.027A	22-0-714150							
Passed thru to:									
Autrain			1,956.81			1,956.81	1,956.81		
Burt			5,002.76			5,002.76	5,002.76		
Gwinn			115,132.39			115,132.39	113,781.07	1,351.32	
Isipeming			68,091.79			68,091.79	68,091.79		
Marquette			247,435.37			245,107.30	245,107.30		
Munising			104,416.55			104,416.55	104,416.55		
Negaunee			88,158.91			88,158.91	59,230.09	28,868.82	
Northstar			4,238.91			4,088.91	4,088.91		
NICE			74,097.00			74,097.00	70,131.39	3,965.61	
Powell			3,629.63			3,602.65	3,602.65		
Republic-Mich			27,996.28			27,996.28	27,996.28		

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
Superior Central			40,922.06			40,922.06	2,083.06	38,839.00	
Wells			1,785.52			575.52	575.52		
Total Passed to Subrecipients			782,863.98			779,148.93	706,124.18	73,024.75	
Technology Materials Training 02-03 (7/1/04-6/30/05)									
Proj 050480/TMT	84.027	22-0-714350							
Passed thru to:									
Delta-Schcraft ISD			3,829.00			3,829.00	3,829.00		
Dickinson-Iron ISD			2,875.00			2,875.00	2,875.00		
Menominee ISD			1,806.00			1,806.00	1,806.00		
Total Passed to Subrecipients			8,510.00			8,510.00	8,510.00		
Technology Materials Training 03-04 (7/1/03-6/30/04)									
Proj 040480/TMT	84.027	22-0-714340							
Passed thru to:									
Delta-Schcraft ISD			3,818.00		3,818.00				
Dickinson-Iron ISD			2,867.00		2,867.00				
Menominee ISD			1,801.00	1,801.00	1,801.00		1,801.00		
Total Passed to Subrecipients			8,486.00	1,801.00	8,486.00		1,801.00		
Preschool 2004-05 (7/1/04-6/30/05)									
Proj 050460-0405	84.173A	22-0-714650							
Passed thru to:									
Aultrain			153.51			153.51	153.51		
Gwinn			1,275.89			1,163.49	1,000.00	163.49	
Ishpeming			1,112.39			1,112.39	1,112.39		
Marquette									
Negaunee			1,000.00			1,000.00	1,000.00		
NICE			1,000.00			1,000.00	1,000.00		
Total Passed to Subrecipients			4,541.78			4,429.39	4,255.90	163.49	
Preschool 2003-04 (7/1/03-6/30/05)									
Proj 040460-0304	84.173A	22-0-714540							
Passed thru to:									
Gwinn			1,072.38		1,072.38				
Ishpeming			1,000.00		1,000.00				
Marquette			1,000.00			984.66	984.66		
Munising			1,000.00			1,000.00	1,000.00		
Negaunee			1,000.00		1,000.00				
NICE			1,000.00		1,000.00				
Total Passed to Subrecipients			6,072.38		4,072.38	1,984.66	1,984.66		
Personnel Development 03/04									
Proj 040470-1D33	84.027A	22-0-744340							
Passed thru to:									
Bad Axe Public Schools			2,600.00		2,600.00				
Bay City Public Schools			5,000.00		2,674.18				
Bedford Public Schools			5,000.00		5,000.00				
Berkley School District			5,000.00	3,580.56	3,580.56		3,580.56		
Calendonia Community Schools			5,000.00		5,000.00				
Calhoun ISD			5,000.00		5,000.00				
Center Line Public Schools			5,000.00	1,976.07	5,000.00		1,976.07		
Cheboygan Area Schools			4,944.00		4,944.00				
Comstock Public Schools			5,000.00		5,000.00				

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
CrossRoads Charter Academy			5,000.00		5,000.00				
Dearborn Academy			4,367.18		4,367.18				
Dearborn Public Schools			5,000.00	5,000.00	5,000.00		5,000.00		
Fenton Area Public Schools			5,000.00		1,268.00				
Greenville Public Schools			4,372.00		4,372.00				
Harper Woods Schools			5,000.00		5,000.00				
Hartland Consolidated Schools			3,236.00		3,236.00				
Hedke Elementary Schools			4,250.00		4,250.00				
Holly Academy			5,000.00		4,999.06				
Huron Valley Schools			5,000.00		4,994.99				
Huron ISD			5,000.00		5,000.00				
Ionia Public Schools			5,000.00		5,000.00				
Kalamazoo Public Schools			5,000.00		5,000.00				
Kalamazoo Public Schools-East			5,000.00	3,897.00	3,897.00		3,897.00		
Kentwood Public Schools Wedgewood			1,500.00	1,467.00	1,467.00		1,467.00		
Lewis Cass ISD			5,000.00		5,000.00				
Mason Lake ISD			4,900.00		4,894.69				
Mason Public Schools			5,000.00	5,000.00	5,000.00		5,000.00		
Meosta-Osceola ISD			5,000.00		5,000.00				
Millington Community Schools			5,000.00		5,000.00				
Montabella Community Schools			5,000.00		5,000.00				
Morenci Public Schools			5,000.00		5,000.00				
Merley Starwood Community			5,000.00		5,000.00				
Mount Clemens Community			5,000.00		5,000.00				
Murphy Elementary Schools			4,830.00		4,830.00				
NICE Community Schools			2,780.00		2,780.00				
Northview Public Schools			5,000.00		5,000.00				
Ostego Public Schools			2,120.00		2,025.06				
Perry Public Schools			5,000.00		5,000.00				
Plainwell Community Schools			1,350.00		1,350.00				
Pleasant Lake Elementary Sch			3,930.00		3,454.53				
Pontiac School District			5,000.00	3,405.88	4,869.95		3,405.88		
Redford Union School District			5,000.00		5,000.00				
Reese Public Schools			4,880.00		4,880.00				
Remus Elementary			5,000.00		5,000.00				
St Clair Co ISD			5,000.00		5,000.00				
Southfield Public Schools			4,245.34		2,827.82				
Traverse Bay Area ISD			1,960.00		1,960.00				
Traverse City Area Public			5,000.00		1,254.95				
Tri County Area Schools			5,000.00		4,997.00				
Van Buren ISD			5,000.00		5,000.00				
Waverly Community Schools			5,000.00		4,272.00				
West Bloomfield School District			5,000.00		5,000.00				
Whitmore Lake Public Schools			5,000.00		5,000.00				
Williamston Community Schools			4,830.00		4,830.00				
Wyoming Public Schools			3,000.00		3,000.00				
MAASE			3,000.00		3,000.00				
MASSW			5,000.00		5,000.00				
Michigan Rehab Conference			3,000.00		3,000.00				
State-wide Spec Ed Parent Conf			3,000.00		3,000.00				
West Michigan Inclusion Network			5,000.00	5,000.00	5,000.00		5,000.00		
Michigan Council for Excp Children			271,094.52	29,326.51	252,875.97				
Total Passed to Subrecipients									

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
Personnel Development 04-05 (7/1/04-6/30/05)	84-027A	22-0-744350							
Passed thru to:									
Amade Area Schools			4,993.00			4,993.00	4,993.00		
Baldwin Community Schools			2,793.00			2,793.00	2,793.00		
Calhoun ISD			5,000.00			4,995.03	4,995.03		
Capac Community School			5,000.00			5,000.00	5,000.00		
Carson City - Crystal Middle			4,080.00			4,080.00	4,080.00		
Carson City - Crystal High			4,079.00			4,078.42	4,078.42		
COP ISD			5,000.00			5,000.00	5,000.00		
Clarkston Community Schools			4,900.00			4,512.00	4,512.00		
Clinton County RESA			5,830.00			5,830.00	5,830.00		
Comstock Public Schools	#04-109		5,000.00			4,812.70	4,812.70	4,812.70	
Comstock Public Schools (3yr)	#02-107		5,000.00			5,000.00	5,000.00	4,999.85	
Comstock Park Public Schools	#04-068		4,439.00			4,439.00	4,439.00	4,439.00	
Crossroads Charter Academy			5,000.00			5,000.00	5,000.00	5,000.00	
East China - Gearing Elementary			5,000.00			4,861.44	4,861.44		
Grand Ledge - Della Center Elem			5,000.00			5,000.00	5,000.00		
Greenville Public Schools			4,904.00			4,825.99	4,825.99		
Hartland Consolidated Schools			3,690.00			3,690.00	3,690.00		
Hedke Elementary Schools			4,607.00			4,318.27	4,318.27		
Holly Academy			5,000.00			5,000.00	5,000.00		
Howell Public Schools	#04-033		5,000.00			4,998.00	4,998.00		
Howell Public - Latson RD Elem	#04-035		4,850.00			4,850.00	3,700.00	1,150.00	
Howell Public - Voyager Elem	#04-038/9		4,949.00			4,766.03	3,789.08	976.95	
Howell Public - Southeast Elem	#04-040		2,171.00			1,030.70	1,030.70		
Howell Public - Freshman Campus	#04-042		528.00						
Huron Valley ISD			9,650.00			9,650.00		9,650.00	
Iron Mountain High School			500.00			500.00	500.00		
Kentwood Public Schools			5,000.00			1,887.94	1,887.94		
Lakeview Community Schools			5,000.00			5,000.00	5,000.00		
Lincoln Park Public Schools			5,000.00			5,000.00	5,000.00		
Ludington Area Schools			4,800.00			4,311.00	4,311.00		
Mason County Eastern Schools			3,500.00			3,500.00	3,500.00		
Mecosta-Osceola ISD			5,000.00			5,000.00	5,000.00		
Millington Community Schools			5,000.00			5,000.00	5,000.00		
Monroe County ISD			5,000.00			5,000.00	5,000.00		
Montcalm ISD			4,952.00			4,920.00	4,920.00		
Morley Stanwood Community			5,000.00			5,000.00	5,000.00		
Lapeer Community Schools			5,000.00			5,000.00	5,000.00		
NICE Community Schools			2,280.00			2,280.00	2,280.00		
Plainwell Community Schools			5,000.00			5,000.00	5,000.00		
Pontiac School District			5,000.00			4,965.00	4,965.00		
Redford Union Schools			5,000.00						
Remus Elementary			5,000.00			4,999.38	4,999.38		
St. Clair County ISD			5,000.00			5,000.00	5,000.00		
Traverse Bay Area ISD			11,959.00			11,959.00	11,959.00		
Traverse City Area Schools			5,000.00			5,000.00	5,000.00		
Tri City Area Schools- 04-006			5,000.00			4,391.00	4,391.00		
Tri City Area Schools- 04-056			4,420.00			5,000.00	5,000.00		
Van Buren ISD			5,000.00			4,443.85	4,443.85		
Vestaburg Community School			4,450.00			4,950.00	4,950.00		
Walled Lake Schools									
Wayne-Westland Schools			5,000.00			5,000.00	5,000.00		

**SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005**

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
West Bloomfield School District			5,000.00			5,000.00	5,000.00		
MI Council - Exceptional Children			5,000.00			5,000.00	5,000.00		
Northern Michigan University			725.00			725.00	725.00		
MI Rehab. Conference			5,000.00			5,000.00	5,000.00		
MAASE			3,000.00			3,000.00	3,000.00		
West MI Inclusion Network			3,000.00						
Total Passed to Subrecipients			254,999.00			245,245.60	214,217.10	31,028.50	
State Improvement Grant (07/01/03-06/30/04) C/O									
Proj 030620/03001	84.323A	22-0-744440							
Passed thru to:									
Allegan County ISD			9,700.00	3,200.00	3,200.00	6,500.00	9,700.00		
Beck Evaluation & Testing			322,617.00			322,617.00	322,617.00		
Belmont Elementary School			5,000.00	4,969.17	4,969.17		4,969.17		
Cause			25,000.00			25,000.00			
Ingham ISD			23,500.00	8,987.51	8,987.51	14,499.60	23,487.11		
Oakland Schools			29,900.00	12,400.00	12,400.00	13,000.00	25,400.00		
Oakland University			25,000.00			25,000.00	25,000.00		
Parkside Elementary School			25,000.00	15,000.00	15,000.00	10,000.00	25,000.00		
Redford Union School			4,883.93			4,879.97	4,879.97		
Sparta Area Schools - High			5,000.00	5,000.00	5,000.00		5,000.00		
Sparta Area Schools - Middle			25,000.00	15,000.00	15,000.00	10,000.00	25,000.00		
St. Joseph County ISD			9,700.00		3,200.00	6,500.00	6,500.00		
Saginaw ISD			15,500.00	6,000.00	6,000.00		6,000.00		
Shiawassee RESD			9,700.00		3,200.00	6,500.00	6,500.00		
Wayne RESA			46,039.26	13,000.00	13,000.00	33,039.26	46,039.26		
Total Passed to Subrecipients			581,550.19	83,556.68	89,956.68	477,535.83	536,092.51		
State Improvement Grant (02/01/05-06/30/05)									
Proj 050620/03001	84.323A	22-0-744450							
Passed thru to:									
Farmington Public Schools			274.44			274.44	274.44		
Parkside Elementary School			5,000.00			5,000.00	5,000.00		
Sparta Area Schools - Middle			13,370.00			13,370.00	13,370.00		
Wayne RESA			95,000.00			86,826.23	86,826.23		
Total Passed to Subrecipients			113,644.44			105,470.67	274.44	105,196.23	
UPAN (Autism Project) (9/1/04-6/30/05)									
Proj 050490-1D20 14-10101	84.027A	22-0-794250							
Total Passed to Subrecipients									
Gwin			294.04			294.04		294.04	
Marquette			1,052.62			1,052.62		1,052.62	
Munising			323.46			323.46		323.46	
Nice									
Copper Country ISD			2,522.00			2,522.00	1,267.00	1,255.00	
Delta-Schoolcraft ISD			2,522.00			1,395.57	1,121.58	276.99	
Dickinson-Iron ISD			2,522.00			2,522.00	2,522.00		
Eastern UP ISD			3,534.00			3,534.00		3,534.00	
Gogebic-Ontonagon ISD			7,967.00			6,313.05	2,849.89	3,463.16	
Menominee County ISD			2,522.00			2,522.00	2,522.00		
Total Passed to Subrecipients			23,159.12			20,481.74	10,282.47	10,199.27	

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY
YEAR ENDED JUNE 30, 2005

Program Title/ Grant Number Subrecipient Name	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2004	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2005	Adjustments
UP CARES (Autism Project) (8/20/03-6/30/04)	84.027A	22-0-794240							
Total Passed to Subrecipients									
Gwin			434.28		434.28				
Marquette			474.47	210.81	474.47		210.81		
Munising									
Nice			72.00		72.00				
Copper Country ISD			7,923.57		7,923.57				
Delta-Schoolcraft ISD			7,923.57		7,923.57				
Dickinson-Iron ISD			7,923.57		7,923.57				
Eastern UP ISD			7,923.57		7,923.57				
Gogebic-Ontonagon ISD			10,923.57	10,923.57	10,923.57		10,923.57		
Menominee County ISD			7,923.57	6,522.00	7,923.57		6,522.00		
Total Passed to Subrecipients			51,522.17	17,656.38	51,522.17		17,656.38		
TOTAL FEDERAL			3,709,221.24	507,638.08	1,614,976.04	1,889,527.54	2,150,963.00	246,202.62	
FINANCIAL AWARDS									
PROVIDED TO SUBRECIPIENTS									